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IFPR – FCA Publishes Final Report on Implementation

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On 27 November 2023, the United Kingdom's Financial Conduct Authority ("**FCA**") published its final report (the "**Report**") on its multi-firm review into firms' progress in implementing the internal capital adequacy and risk assessment ("**ICARA**") process and reporting requirements, as required under the Investment Firms Prudential Regime ("**IFPR**").

The Report should be read in conjunction with the FCA's initial observations (the "**Initial Observations**") on the same topic, published in February (which we wrote about here).

Although the Report found that most firms engaged well and showed that they were able to make the transition to the new regulations, in addition to those areas identified in the Initial Observations, the FCA highlighted the following areas for firms to improve on:

- **Liquid Asset Assessments:** Several firms applied insufficient consideration of cashflows and liquidity stresses, which led to an inadequate assessment of liquid asset requirements. These firms were at risk of running out of cash in stressed conditions, which could have resulted in firm failure.
- **Internal Intervention Points:** For most firms, internal intervention points were not structured in a way to ensure that actions would be triggered in a timely fashion to mitigate harm, particularly from firm failure.
- **Wind-down assessments:** Wind-down assessments applied inadequate consideration of the impact of membership in a group. It seemed that individual firms within groups may not have adequately planned for potential failure.
- **Operational risk assessments:** In some firms, there were significant failings in the application of capital models for operational risk. This gave little assurance that these firms have adequate resources to mitigate harm.

The FCA advised firms to act now to consider the findings of the Report, to assure themselves that they are meeting the ICARA / IFPR rules and are mitigating harm from their operations.

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